

OLL RECORD

RECORD OF SIGNIFICANT EVENTS

F/MC

OLL 85-0650

Date 1 March 1985

HILL CONTACT Jim Van Wagenen

COMMITTEE/MEMBER HAC Defense Subcommittee

SUBJECT U.S. helicopters in North Korea

25X1 ACTION OFFICER

SUMMARY:

Used attached talking points and chronology to tell Jim what we knew about subject and when. He will pursue with Commerce & Customs.

ACTION ITEMS:

None at this time.

FOLLOW-UP ITEMS:

Distribution:

DDI HAC file

✓ OLL Record

OLL Chrono

OLL/LD/ ks (4 Mar 85)

CLASSIFICATION SECRET



CENTRAL INTELLIGENCE AGENCY

Office of Legislative Liaison
Washington, D. C. 20505
Telephone: 351-6121

TO:

Jim

*Hughes - helicopters
to N. K.*

*Commerce was told
Customs did nothing.
What did we know,
when? When did
we tell Commerce*

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Washington Post, 27 Feb 85, page 2

Illegal Shipments Detailed

Customs Reportedly Failed to Bar Sales to N. Korea

By Stuart Auerbach
Washington Post Staff Writer

U.S. Customs agents knew about illegal shipments of strategically important helicopters to North Korea for 16 months without doing anything about it, according to an internal Commerce Department analysis of the episode.

The Commerce Department report said Customs officials received detailed intelligence information in September 1983, after the first two of 87 Hughes Helicopter Co. aircraft were diverted to North Korea, but took no action. The report said the Commerce Department learned of the matter independently and stepped in to halt the shipments this month.

The report was prepared by Commerce export control officials in an attempt to discover how a West German company, Delta-Avia Fluggerate, was able to get away with such a large-scale illegal diversion of helicopters over for such a long time. Hughes Helicopter Co. was held blameless in the shipments.

"There is no question that if the information had been acted on, the other 85 helicopters would not have gone," a high administration official said.

Instead, what Commerce investigators called "probably the largest illegal diversion of U.S.-manufactured aircraft" was not stopped until after North Korea had received an arsenal of helicopters that are identical to those supplied by the United States to the South Korean military.

The helicopters are considered strategically important because of the possibility that they could be used by North Korea to infiltrate South Korean territory and cause "deception and confusion in an emergency in the tense DMZ [demilitarized zone]" that separates the two countries, the Commerce analysis said.

The helicopters involved were Hughes models 500D, 500E and 300C.

The report represents the latest salvo in a battle that has been raging for more than a year between the U.S. Customs Service—a part of the Treasury Department—and the Commerce Department as Customs seeks more authority over the enforcement of export control laws.

The battle will surface on Capitol Hill tomorrow when the House Foreign Affairs Committee's international economic policy and trade subcommittee takes up a new version of the Export Administration Act. One provision in the proposal before the subcommittee gives Customs exclusive rights to export-control investigations overseas, which Commerce officials say will harm their total export-control efforts.

The Commerce report, made available to The Washington Post, clearly placed the major blame on the Customs Service, say-

ing the information it received in March 1983 "was sufficient to identify the planned route of the shipments, the approximate date the shipments were to begin and other details about the potential diversion."

That information was never made available to Commerce officials, who first learned of the illegal shipments in January, when new intelligence information surfaced, the report added.

Although it was not at fault in the incident, Hughes Helicopter suffered embarrassment because South Korea is a major customer and a partner in a joint venture to build helicopters in that Asian nation. More than 200 Hughes helicopters currently are being used by the South Korean military.

Delta-Avia Fluggerate, however, temporarily lost its rights to receive U.S. exports. That company was considered one of Hughes' major customers, buying at least \$26 million worth of helicopters at a time when the world market was depressed.

According to the Commerce analysis, the first two helicopters were shipped to North Korea in March 1983, from Los Angeles via Yokohama, Japan. The bill of lading and the shipper's export declaration were filed with the U.S. Customs Service listing Mangyong Trading Corp. of North Korea as the recipient.

The other five shipments took a more circuitous route, going first to Rotterdam or Antwerp, before being transshipped to North Korea. The final shipment of 15 left Los Angeles in November for Rotterdam and on Dec. 10 were aboard a Soviet ship, the K. H. Prorokov, bound for North Korea.

On Jan. 3, meanwhile, American intelligence officials called an interagency meeting that the Commerce report said Customs and Treasury officials failed to attend. At that meeting, the new reports of the illegal shipments were given to Commerce officials. The information was described in the Commerce report as "vague," and nothing was said about a shipment on the high seas.

Within 11 days, however, Commerce learned a shipment had left California in November and began trying to track it, down, only to learn it had left Rotterdam Dec. 10, its destination unknown. On Jan. 31, Customs officials learned the shipment had passed through Hong Kong on the way to North Korea.

CORRECTION

Gretchen C. Genrich, age 9, is chairman of BELTS (Buckle Every Life Tight for Safety), a group that advocates use of seat belts on school buses. Her first name was stated incorrectly in yesterday's Metro section.

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Lebanon

rael Orders Curfew, Travel Curbs in Attempt to Halt Attacks